

# **CINCINNATI HOMEOWNER INFILL AND REHABILITATION PROGRAM (CHIRP)**

**Guidelines and Procedures**

## **REQUEST FOR PROPOSALS**

**City of Cincinnati  
Department of Neighborhood Services  
Two Centennial Plaza  
805 Central Avenue, Suite 700  
Cincinnati, Ohio 45202  
(513) 352-6146**

**APPLICATIONS ACCEPTED ANYTIME AFTER JANUARY 15, 2002**

**Program Description:**

# Cincinnati Homeowner Infill and Rehab Program (CHIRP)

## Purpose:

The purpose of this program is to expedite the funding process for small (no more than three units) home ownership projects. DNS has developed this program to encourage developers to build quality, infill housing in Cincinnati neighborhoods. The program mission is to encourage both for-profit and nonprofit developers to develop units that are available to homebuyers in the City of Cincinnati.

## Program:

Open to any for-profit or nonprofit developer interested in developing new and/or rehabbed single-family homes within the City of Cincinnati. The City will provide gap financing in the form of a deferred forgivable loan to projects and developers that meet the program criteria and comply with all of the program regulations. Funding will be provided on an ongoing application basis. Complete applications will be accepted into the program until funds are depleted for the budget year.

## Amount and Type of City Funding:

Funding for each project will be determined by the “gap” or need demonstrated by the project budget. The gap is the difference between the cost to construct (or rehab) the units and the amount of outside funding available. DNS staff will review all budgets for reasonableness of costs before determining the amount of the funding gap. The City’s **maximum** per unit subsidy under this program is as follows:

\$30,000 for a single family  
\$42,000 for a two-family

The City will fund the amount of the determined funding gap or up to a maximum of the subsidy limits for this program, **whichever is less**.

## Eligibility Requirements

### Participants:

- Proposals may be submitted by individuals, partnerships, or for-profit or nonprofit corporations.
- City employees may not apply for CHIRP funds, as per Administrative Regulation #43.

### Projects:

- The rehabilitation or new construction of homes for home ownership are both eligible. This includes scattered site projects. All projects must be located within the City of Cincinnati limits.
- Transitional housing facilities and group homes are not eligible for funding under this program but are eligible for funding through the Human Services Section of the Department of Neighborhood Services.

### Eligible Homebuyers:

- All units **must** be sold to parties other than the applicant/developer.
- All units must be sold to eligible homebuyers who intend to use the unit as their principal place of residence.

Proposals may be submitted to only one of the Department’s programs. Projects that have received commitments from or are applying for funding from another DNS program are not eligible to apply for funding in the CHIRP funding process.

All submissions for this program must be for the construction or renovation of housing to be sold to a qualified homebuyer. A project may be a minimum of one unit and a maximum of 3 units. A unit may be either a single family or two-family home. In a two family home, the entire building must be sold to a qualified homebuyer.

## **Funding Sources and Options**

### **A. Funding Sources:**

There will be approximately \$600,000 available to be awarded this year for the program. The sources of funding will include Community Development Block Grant funds (CDBG), Home Investment Partnership funds (HOME) and City Capital funds. All projects will have to conform to the applicable regulations governing the source of funds utilized. DNS staff will match up, to the greatest degree possible, the project with the most appropriate source of money. However, City Capital funds are limited and will be allocated on a first come, first served basis only to those projects that are **not** eligible to use another source of funds.

Projects utilizing either CDBG or HOME funds will be subject to recapture provisions as outlined by HUD, as well as income restrictions and affordability requirements. See attachment II for current Income Limits. Homebuyers who purchase units subsidized by these funds will have restrictive covenants placed on the property to ensure that the unit remains a principal residence of an eligible homebuyer for the HUD proscribed period of time.

Projects funded through this process will be subject to all applicable regulations which may include (but not limited to), historic and environmental review, lead paint regulations, EEO and SBE requirements, Housing Quality Standards, Affirmative Marketing requirements, Relocation requirements and City Building code.

**Applicants who are awarded CDBG or HOME funds should be aware that beginning any alterations, construction, or demolition prior to receiving historic compliance review approval may result in disapproval of funds.** According to federal regulations, in historic renovation projects, the entire renovation project must comply with the Secretary of the Interior's Standards, even if only a portion of the project is assisted with federal funds.

### **B. Funding Options:**

The City's assistance will be in the form of a deferred, forgivable loan to the developer of the project. The City will have a "soft" second mortgage, which will not require payback unless the project is out of compliance with funding restrictions and/or program regulations.

The deferred loan will be forgiven and the City's mortgage will be released when the unit is completed **and** sold to an eligible homebuyer.

If the developer fails to sell the assisted units within nine (9) months from the date of unit completion, the City's funding will become a performing loan with monthly payments to be made until the unit is sold to an eligible homebuyer. Only when the unit is sold to an eligible homeowner may the loan payments cease and the remainder of the loan be forgiven. There will be no refund on any loan payments paid by the developer. Details of the loan repayment will be contained in the contract with the City.

If a project is funded, DNS will reimburse the contractor only for "actual costs" incurred as approved by contract, supported by appropriate documentation, and only for work undertaken after the date the contract with the City has been fully executed.

There are two options available to developers who pursue City funding through this process. One option must be chosen at time of application. Once that option is chosen, developers will **not** be allowed to change their option after that time.

**Option I:** Funds will be disbursed throughout the construction activity on a percent of completion basis (construction draws) minus 10% retainage.

**Option II:** Funds will be allocated toward the project and a contract put in place, but funds will not be disbursed until all units are complete and sold to a qualified buyer(s).

Under both options, a City contracted architect will monitor all plans, specifications, draw requests, and construction activity. Also, under both options, a contract will have to be in place between the City and the developer before any work can begin.

**Option I** offers less risk to the developer, as the City will make progress payments (draws) on a percentage of completion basis. However, developers choosing this option will have to meet all project and developer requirements. Under Option I, City funds for units that are not sold to qualified buyers within nine months of completion will convert into low interest performing loans that will be payable on a monthly basis until the unit is sold to a qualified buyer.

**Option II** offers greater flexibility to the developer as many of the project requirements are decreased. However the developer will bear all the costs and associated risk until the project is sold to a qualified buyer. Under Option II, although all plans must be submitted as previously outlined, the following requirements are reduced:

- The pre-sale requirement is waived (pre-sales are still strongly encouraged).
- Evidence of marketability requirement is waived.
- Evidence of funding will be limited to the developer showing that they have the resources to completely fund all project costs until the project is sold to a qualified buyer.

Developers who choose funding Option II, where no City funds will be released until the unit(s) are completed **and** sold, are required to show evidence that they can financially handle all construction and holding costs associated with the project. This evidence should be via either a bond or an irrevocable letter of credit in the dollar amount required to complete the proposed project until all units have been sold.

**C. Costs Ineligible for City funding:**

- Land or Building Acquisition
- Accessory Structures (garages are eligible)
- Labor of Owner/Sweat Equity
- Developer operating costs (project developer fees are allowed in the budget).

**D. Lease Purchase Transactions: At the discretion of DNS staff and based upon proven need, a developer may submit a lease-purchase project. If considering a lease-purchase project, contact CHIRP staff prior to completing an application.**

- Lease-purchase transactions are allowable under this program, however the developer must indicate that the project will be a lease-purchase project at the time of application and submit a copy of their intended lease-purchase contract for review and approval by City staff.
- In a lease-purchase transaction ownership must be transferred to an eligible homebuyer within 36 months of signing the lease agreement.
- If the unit is not transferred to an eligible homebuyer at the end of the lease -purchase term, the City's funds will convert to an amortizing loan with payments to be made monthly until the unit is sold to an eligible homeowner.
- If the unit is **not** transferred to an eligible homebuyer at the end of the lease-purchase term, the City will view the unit as rental housing and all monitoring and inspection criteria will apply.

If a developer rents out the property instead of selling it to eligible homebuyers (outside of an approved lease-purchase contract), the City funds will convert into an amortizing loan with payments to be made monthly until the unit is sold to an eligible household.

**E. Other Items:**

- Any potential conflicts of interest (as defined in the application) must be identified in the application.
- All units, either rehab or new construction will need to have evidence of completion prior to final disbursement of City funds. This should be in the form of either a Certificate of Occupancy (CO), a closed building permit or a “Clean 21” from the Department of Building and Inspections (B&I).
- **The City retains the right to final approval of all submitted projects.**

# **SUBMISSION PROCEDURE**

Applications to the Cincinnati Homeowner Infill and Rehab Program (CHIRP) will be accepted in the Department of Neighborhood Services (DNS) office **after** January 15, 2002 on a continuous basis. Applications may be either mailed or hand delivered to:

**City of Cincinnati  
Department of Neighborhood Services  
Two Centennial Plaza  
805 Central Avenue, Suite 700  
Cincinnati, Ohio 45202  
Attention: CHIRP Program**

- All requests for assistance in the CHIRP Program must be written in the attached Proposal Format. If all applicable requested information is not provided, your proposal will be eliminated from further consideration, until all requirements are met.
- Three copies of the proposal must be submitted.
- Additional information that assists in the proposal's evaluation may be included.
- An appointed staff review committee will evaluate the financial criteria and qualitative aspects of each proposal and forward its findings and funding recommendations to the Department Director.

Questions about the CHIRP Program or the policies and guidelines regarding the CDBG and HOME requirements, and questions about the policies and guidelines regarding City funds may be referred to the following DNS staff:

Dawn Grace (513) 352-6140  
Tashawa Perrin (513) 352-4692  
Herb Washington at (513) 352-6118

## **PROJECT AND DEVELOPER CRITERIA**

### **A. Project Criteria:**

Projects accepted for funding through this process, must be ready to start construction within six months from the commitment date. If projects do not start in six months, the money encumbered for that project will be returned to the CHIRP program. All required items must be submitted at time of application. **Incomplete applications will not be accepted.**

- Developer must provide evidence of marketability of the project in the form of comparable properties, a market study, or an affidavit of a Realtor (required for Option I).
- Pre-sales are required under Funding Option I and recommended (though not required) under Funding Option II. Under Option I, funds will not be released until the project has pre-sold at least one unit.
- The developer must demonstrate that the project meets one of the following requirements: a) in the vicinity of existing construction activity, b) where other demonstrated neighborhood revitalization activity is taking place, or c) where new construction activity is readily marketable because of a stable or appreciating housing market.
- Before the City will enter into a contract, the developer must possess a fee simple title to the property and the property must be free of all liens, assessments and encumbrances other than those considered to be normal, such as first and second mortgages, current taxes, assessments, etc.
- The use of the property after construction/rehab must be for owner occupied housing conforming to the use regulations of the Cincinnati Zoning Code and Cincinnati Building Code.
- All projects will be required to comply with applicable State and Federal regulations regarding lead hazard reduction.
- After applications have been received and reviewed, an Environmental Assessment and/or Geotechnical study may be required as determined by the environmental review staff.
- Project size may be a minimum of one unit and no more than three units in total, with a maximum of 2 units per building. The units may be contiguous to each other or on scattered sites as long as they are to be used for owner-occupied housing. Units in scattered site projects should be either within the same neighborhood or within close proximity to each other. **Total maximum number of units in a project is three.** Projects with more than three units will not be accepted into this process and need to apply through the regular Housing Round process.
- The completed units must be used for owner-occupied housing with no more than two units per building.

### **B. Developer Criteria:**

- Developer must provide documentation of previous development experience in single-family housing. This documentation should include, the number of homes constructed or rehabbed in the last three years, number of homes sold in the last three years, sales price of those homes and addresses of homes built in the last three years.
- A developer can have a maximum of two projects in this program under construction at any one time. One of these two projects must be completed before the developer can apply again to the CHIRP process.
- First time developers (either for or non profit) would be limited to one unit at a time until a level of expertise, acceptable to DNS, is gained.

## **REQUIRED APPLICATION ATTACHMENTS**

The following items as applicable are to be attached to completed applications submitted to the CHIRP program. If the required items are not included with the application, the application will be considered incomplete.

### **ALL PROPOSALS MUST INCLUDE:**

- Solid evidence of other funding commitments in the form of a letter from the funding entity that details the amount of the loan, terms and type of loan.
- Evidence of owner's equity including type and amount.
- A deed or purchase agreement must be submitted with the application (a clean title opinion will be required before the City loan closing).
- A detailed work write-up **with a minimum of two bids**. Only one bid needs to be included in the application. However, developers are required to provide at least two bids (one in addition to the one submitted with the application) before the City will enter into a contract. If the applicant will be serving as the general contractor for the proposed project, the applicant should submit bids from at least one additional contractor as evidence that the cost estimates for the project are reasonable (to be submitted with the application).
- Outline specifications that include a description of the work that needs to be performed to bring the unit to completed condition. Contractor bids should be based on these specifications and provide a minimum understanding of the elements within the budget.
- Evidence of the marketability of the project in the form of comparable properties, a market study, or an affidavit from a Realtor.
- A completed budget that includes all soft costs. A minimum ten percent contingency is required in all budgets. Please note that all items on the budget page may not apply to your specific project. **Only use the budget line items that are required for your project!**
- Proof of Community Council notification. Each developer must notify the appropriate Community Council by certified mail, that they are submitting an application for City funding for their project. The letter **must** include: project location, type of project, number of units, and projected sales price(s) of the units. The developer must submit to the City either a copy of the letter sent to the Community Council along with the return receipt indicating it was received, **or** a letter of support for the project from the Community Council. A directory of community councils, their presidents, phone numbers, and meeting times and places is attached for your convenience (see Attachment III). Only these officially recognized Councils would suffice for compliance with this requirement.
- Evidence of pre-sold units in the form of a sale agreement (not required under Option II).
- Any additional attachments that may assist in the proposal's evaluation.

**New Construction Proposals must include:** Preliminary plans and drawings to include the foundation plan, a plot plan (which shows the boundary description, elevations of the site, the location of the specific units to be constructed, and the location of the planned utility lines), floor plans and elevation drawings which should include front and side views for each style of house to be built on the site, and zoning information. Pictures of existing housing that is either adjacent to or in close proximity to the proposed project site.

- New construction projects are required to go through and be approved by the City's design review process. These projects can be taken to the Design Review Committee prior to the application being submitted to the



CHIRP program to expedite the process. Projects that have gone through the design review process prior to submitting an application will be able to proceed quicker than those that have not.

- New construction projects should be consistent with the existing housing in the neighborhood, with an emphasis on fitting in with the houses both adjacent to and directly across from the proposed site.

**Rehabilitation Proposals must include:** A copy of drawings, if required by the City's Building and Inspections Department to get a permit to complete work. These drawings must include the location of each of the specific units to be rehabilitated, a copy of a site plan which shows the location of the building and the location of the existing or planned utility lines, and includes floor plan drawings (all dimensions must be clearly indicated on the drawings) and zoning information must be provided.

For rehabilitation projects, units should be vacant twelve months prior to application or relocation requirements may apply. If applicable, any relocation costs that would apply to the project will be borne by the developer.

**Note:** Planned Unit Development (PUD), Environmental Quality District (EQ), Special Housing Overlay District (S.H.O.) and Subdivision reviews can sometimes take considerable time and these reviews often result in modifications and changes to a developer's proposal. **If a proposal requires one or more of these reviews, that investment may need to be made by the developer prior to the submission of an application to the CHIRP program.**

#### **A CONSIDERATION FOR ALL PROPOSALS**

The City is concerned with the quality of design and construction of the proposed projects. Proposals should show how they address such concerns as the space considerations for the proposed number of occupants; air circulation in the units using such amenities as air conditioning, ceiling fans, and cross-ventilation; energy conservation measures; and the *quality* of building elements, such as doors, windows, and other building materials. Compatibility with surrounding structures and the neighborhood's character will be an important consideration.